

**TO:** Distribution

**FROM:** Marketing Information & Analysis

**SUBJECT:** Nielsen December 1991 Topline Report

**DATE:** February 7, 1992

### **INDUSTRY**

- Consumer takeaway volume for December was -4.2% below year-ago. This comparison versus last year was influenced/distorted by an unusually strong monthly volume decline in Region 5 (-9.3%). Although somewhat understated, full year performance provides a more representative indicator, down -2.2%.

### **PHILIP MORRIS**

- During full year 1991, PM realized a +1.1 share point consumer off-take gain, consistent with its 1991 shipment performance. During December, PM's monthly Nielsen share was +0.6 points above year ago but -0.4 points lower than the previous month. This month-to-month share loss was influenced by:
  - Substantial declines in Regions 2 (-1.2) and 5 (-0.7), and to a lesser extent in Regions 1 (-0.4) and 4 (-0.3), partially offset by an advance in Region 3 (+0.7). Within Region 2, PM's performance was impacted by losses in pack outlets, with declines versus month ago in C-Stores (-1.6) and Grocery Stores (-1.1).
  - Share declines in Supermarkets (-0.2) and Grocery outlets (-0.2), while PM remained stable in the other trade classes.
  - A monthly gain by RJR (+0.2), with its performance benefiting from improved performance among its Premium brands.

### **MARLBORO**

- Marlboro's full year 1991 share of 24.2% was -0.1 points lower than year-ago, reflecting losses by Red (-0.7) and Gold (0.2), offset by Medium's gain (+0.8). On a monthly basis, Marlboro lost -0.8 points versus November, representing the fourth consecutive month of decline for the franchise, with a cumulative share loss during this period of -1.2 points. Month-to-month Marlboro's performance was influenced by:
  - Share declines in all Regions, with the most substantial losses occurring in Regions 1 (-1.3) and 5 (-1.1).
  - Share declines in all trade classes, particularly pack outlets, with losses in C-Stores and Grocery stores of -0.9 and -0.4 points respectively, while declining -0.2 points in both Supermarkets and Drug stores.
  - Within Region 1, Marlboro experienced a -3.0 share point decline in C-Stores. In contrast, the Black & White/Private Label segment advanced +4.0 share points in this Region/trade class.

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### **MARLBORO (cont' d)**

- Within Region 5, Marlboro incurred -1.6 share point losses in both C-Stores and Drug Stores. Conversely, RJR posted a +2.5 share point gain in Region 5 C-Stores, with Camel Filter and Doral advancing by +1.1 and +0.9 points respectively and +0.6 points in Drug Stores, with Salem and Winston realized gains of +0.4 and +0.3 points respectively.
- Marlboro Medium's month-to-month share decline (-0.1) reflects a -0.2 point loss in C-Stores, partially offset by a +0.1 point advance in Supermarkets.

### **PM PREMIUM BRANDS**

Despite continuing Discount category growth, PM's premium brands held share during December, the result of continuing stability in Virginia Slims' share and more recent slowing of declines in B & H and Merit. During December, a volume mailing of three \$5 coupons went to 4.3 million competitive smoker households, and an additional 450 thousand responders to prior Merit programs were sent four \$3 coupons. At retail, Merit was supported by \$2 and \$3 coupons during December and January.

Merit's performance continued weakest in C-stores, declining -0.1 for the month; Discount brands' growth was focused in this trade class during December. Merit's decline in C-stores was offset by +0.3 point gain in Drug stores and stability in Supermarkets.

Virginia Slims maintained a 3.2 share for the sixth consecutive month. Similar to Merit, a -0.1 share point loss in C-stores was countered by growth in Drug stores (+0.2) and stability in Supermarkets. Region 2, where Discount brands grew most this month, posted the only decline for Virginia Slims, while Region 5 reported a +0.1 gain.

Although Benson & Hedges is showing indications of continuing share declines, the rate of decline appears to be slowing, as performance during the past eight months has remained between 2.9 and 3.0. December's 2.9 share is similar to November's. In Region 5, the brand's strongest market, reported a +0.1 point gain for the month, driven by Drug store performance. The remaining Regions and all the Nielsen trade classes posted marginal declines of less than 0.10.

### **PM DISCOUNT**

- PM's share of the Discount category grew +1.0 points to 29.7% month-to-month. This represents the highest share level for Fourth Quarter 1991 and is comparable to the July peak of 30.2%. PM accounted for approximately 85% of the Discount categories' growth this month.
- PM's Discount category share grew +0.4 points versus November, reflecting +0.1 month-to-month share growth for Cambridge and Bristol. PM's Black & White/Private Label's accounted for the remaining growth (+0.2 points).
- PM's Discount performance in Supermarkets was flat versus November, with category growth attributable to C-stores: +1.1 points to 9.0%. Growth was evident for Cambridge (+0.2 points), Bristol (+0.4) and BL&WH/PL (+0.6). The impact of this significant growth is evident PM's Premium month-to-month share performance: -1.2 points to 37.5%.
- PM's BL&WH/PL month-to-month growth was most significant in Region 1 (+1.0 points to 2.4%), with the majority of growth in that Region attributable to C-stores (+3.0 points to 5.0%).

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### **PM DISCOUNT (cont'd)**

Philip Morris Price Value share for October of 7.2 was +0.1 points higher than the prior month, and stayed within the 7.1 - 7.3 share range for the sixth consecutive month. The largest month-to-month increase (+0.6) was recorded in Region 3 where PM's Price Value share rose to 10.5, while Region 5 fell almost 0.5 share points to 7.2.

On a trade class basis, most of PM's month-to-month share gains have been in C-Stores (+0.3) increasing PM's share of the Price Value category in this trade class to 32.0 from 31.6 last month.

### **DISCOUNT CATEGORY**

- Full year discount category share of 24.2% represents a +5.5 share point increase over the year ending 12/90. The bulk of the year over year increase is attributable to black and white/private labels (+2.3 points to 5.5% of the market), and to sub-generics (+3.6 points to 6.2% of the market.) On a month-to-month basis, the discount category increased +0.4 to 26.2%. Growth was led by black and white/private labels, up +0.5 points to 6.7%. Sub-generics also increased (+0.2 to 7.5%), while Branded Generics fell (-0.2 to 11.0%). Price off and price value 25's shares were relatively unchanged each at 0.5.

The month-to-month category increase was largely a product of Black and White/Private Label growth in convenience outlets. Total Price Value increased +1.4 share points to 26.6% in C-stores, with 1.1 points of the 1.4 point increase attributable to black and white/private labels. In all other trade classes Price Value declined: in Supermarkets it fell -0.3 to 27.4%, in Grocery it was off -0.2 to 27.0%, and in Drug it fell -0.1 to 19.8%. Geographically, Price Value increases were strongest in Regions 2 (+1.5% to 23.6%), and 1 (+1.1 to 16.6%). Note that these were also the geographies in which black and white/private labels had their strongest gains, in Region 1 they increased +1.3 points to 4.5%, and in Region 2 +0.8 points to 3.4%. Not surprisingly, C-store Black & White/Private Label increases in these geographies were large: in Region 1 C-stores, Black & White/Private Label share more than doubled, rising +4.0 points to 7.3%, and in Region 2, they doubled, increasing +1.3 to 2.6%.

Regions 3 and 4 had relatively small increases in Price Value, up +0.2 to 34.8 and +0.3 to 30.3 respectively. Although total Price Value changes in Region 3 were fairly consistent across the trade classes, with only Drug relatively unchanged from the prior month, within Region 4 Price Value's -1.1 decrease in supermarkets was offset by a +1.8 increase in C-stores. Much of the increase in discount share in Region 4 C-Stores is attributable to black and white/private labels, which increased +1.1 to 12.6%.

Interestingly discount category share declined in Region 5, off -0.4 to 23.5%, the only Region with a decline: Region 5 was also the only geography in which Black and White/Private Label share declined, -0.4 to 8.7%.

- Bristol and Sterling were the major contributors to sub-generic growth since November, each increasing +0.1 to 1.7% and 0.9% respectively. Bristol's increase was largely attributable to a gain in its best developed geography, Region 3 (+0.5 to 3.9%). Within Region 3, Bristol's historically best developed trade classes, C-stores and grocery outlets, were the sources of the growth, where it increased +1.0 to 4.4% and +0.8 to 7.6% respectively.

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### DISCOUNT CATEGORY (cont'd)

In December, Sterling replaced Pyramid as the fourth largest sub-generic in the country. (Note: Sterling added 8 new packings in October.) Growth was strongest in C-stores, up +0.2 to 1.0%. Note that in October C-stores had been the least developed trade class for Sterling at 0.4%, and in since November it has been the best developed. Geographically, Sterling's largest increases were in Region 2 where the brand increased +0.4 to 1.1%. Within Region 2 share in C-stores more than doubled up +0.7 to 1.3%.

- The decline in the branded generic category from November levels were led by Doral, which fell -0.2 to 4.8%. Its decline was greatest in Region 3, -1.0 to 6.4%. Much of the decline may be attributable to a decrease in couponing activity: Infoscan data show Doral with on carton coupons available in 70% of scanning supermarkets at the end of December, down from 79% at the end of November.

### COMPETITIVE

- R. J. Reynolds' recorded their second consecutive monthly share increase to 25.6 in December, +0.2 points above November. The month helped turn in a strong fourth quarter performance (29.2 share, -0.7 versus 1990). The full year of 29.0 share, a decline of -1.5 share points versus full year 1990. This compares to a -1.8 point decline in shipments.
  - RJR's month-to-month gain was entirely attributable to their Premium brands' business +0.3 points higher than November primarily in Camel Filters (+0.1) and Salem.
  - It appears that RJR has successfully stabilized Camel Filters' business in 1991 with monthly share ranging between 3.2 to 3.5, and full year at 3.3, +0.1 points above 1990.
  - Their Discount franchise was flat versus November as Doral suffered a -0.2 point loss primarily in C-Stores and Grocery Stores, offset by gains in Sterling (+0.1), and their Black & White/Private Label (+0.1). Doral's performance can probably be explained by a record decrease in couponing support in both incidence and average discount values. Among trade classes, the largest gain appeared in C-Stores, +0.2 for the month.
- Brown & Williamson's monthly share continued to be weak, down -0.1 points to 8.5 in December, its lowest level within New Nielsen data (since 1/88). Kool continued to erode, recording a -0.1 share decline. All other franchises, both Premium and Discount were virtually even with last month. B&W's weakness appears to be in their strongest share areas, Regions 3(-0.4) and 4 (-0.2) primarily in pack outlets. For the full year, B&W's share decline of -0.4 versus +0.8 based on shipments may be unfairly represented due to the improper classification of Black & Whites/Private Label performance. Assuming a similar contribution of this business based on shipments, B&W's Nielsen performance would be +0.4 points ahead of 1990, directionally comparable to shipment results (+0.8).
- Lorillard's share for December was almost even with last month; with their major Full Margin brands, Newport, Kent and True performing similarly. Price-off Heritage also remained flat at its lowest level since introduction. On a full year basis, Lorillard was -0.4 points below 1990, comparable to shipment results.

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**COMPETITIVE (cont'd)**

- American's share was flat in December versus the prior month and matched share levels for each of the longer time frames (7.6). All brands were about even with November's share levels. On an annual basis, American was +0.5 points above last year, reflecting the positive performance of their existing Sub-Generics, Montclair (+0.8), Misty (+0.5) and Bull Durham (+0.2) launched earlier this year. Of their Premium franchises, Carlton was slightly lower than last year (-0.1), and Pall Mall lost nearly 0.4 share points.
- Liggett registered a +0.2 share increase this month, returning to previous levels experienced in September and October. On an annual basis, the company registered a +0.5 to +0.6 share point gain across all time frames, being influenced by improper classification of Brown & Williamson's Black & White/Private Label business.

**DISTRIBUTION**

R. Anise	H. Mize - R2
J. Auriemma	J. Mortensen
D. Beran	B. Neidle
S. Bloom	D. Nelson - R1
W. Campbell	T. Nelson
J. Chaump	B. O'Brien
F. Cotignola	R. Olson - R4
D. Dangoor	R. Pettinelli
C. Finch - R3	S. Piskor
E. Fitzgerald	D. Potter
E. Gawronski	S. Sabella
A. Goldfarb	T. Saloun
H. Harwood	M. Schroeder
C. Johnson	B. Schuyler
J. Kiernan	A. Schwartz
J. Kuhlman - R5	R. Simons
C. Levy	H. Steele
N. Lund	R. Stuart
M. Mahan	L. Suwarna
T. McCarthy	M. Szymanczyk
E. Merlo	R. Tomei
R. Mikulay	B. Weinstein
	L. Wexler

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